

J. C. Penney Company

A Delaware Corporation

Financial Statement

*Operating One Thousand
Four Hundred and
Sixty six Stores.*

December 31, 1933.

New York, N. Y.

March 1, 1934.

**TO THE STOCKHOLDERS OF
J. C. PENNEY COMPANY:**

The financial statement and report of operations for the year ended December 31, 1933 are submitted herewith. In line with the developing tendency to furnish additional assurance to stockholders as to the correctness of published information, the Directors decided it would be proper to extend the audit of its accounts to include the 1933 statement of operations as well as the balance sheet accounts.

Sales for the full year totaled in excess of \$178,000,000.00 which represented an increase from the prior year of over 15%. It is interesting to note, however, that sales for the latter half of the year amounted to more than \$107,000,000.00 and were larger than sales for the latter half of any prior year, with the single exception of 1929.

The National Recovery program, with its resulting price advances and accelerated consumer purchasing power, apparently had an immediate direct effect on the operations of the company. The management, upon the institution of the National program and the approval of the subsequent Retail Code by the Administration, gave their full support to this program and sought immediate conformity throughout the company with the provisions and aims of the respective regulations. During the latter part of the year the company's total number of personnel and its average salary and wage disbursement accordingly expanded considerably. However, because of the increase in sales during the second half of the year, which is the more important to a retail merchandising organization, the salary and wage costs remained within reasonable bounds.

Net profits were \$14,235,638.10 for 1933: This was equivalent to \$5.51 per share on the No Par Common Stock issued at December 31, 1933, after allowing \$619,578 paid during the year as Preferred stock dividends.

This compares with a net of \$5,082,672.17 for 1932, equivalent to \$1.57 per share on 2,468,984 shares of common stock outstanding at that time, after allowing for Preferred stock dividends paid during that year.

The increase in profits resulted from a combination of circumstances. Over the period of the last few years, because of the necessity of the times, the management had progressively studied

and refined its operations to eliminate non-essential and unproductive costs. During these same years the company was required to assume losses through downward price revisions resulting from declining primary market costs and through competition with distressed retail merchandise stocks. Because of the advancing price markets, which were experienced during the second half of 1933, the company was enabled to avoid a large part of the merchandise write-downs which it would otherwise have faced. At the same time, it continued to enjoy the attained reduction in operating costs, while being permitted to maintain a normal mark-up on the merchandise handled. 1933 profits were also enhanced because of the savings resulting from the revaluations of fixed assets made at the close of 1932 and from the retirement of Preferred stock made early in 1933.

As evidenced by the Balance Sheet, the operating and financial position of the company continues eminently strong. The ratio of current assets to current liabilities was approximately 7 to 1. The December 31 cash account of \$8,899,646.39, even after allowing for the extra dividend on the No Par Common Stock declared for payment on January 30, 1934, exceeded the total of all current accounts payable. The extra dividend was declared because of the improved operating record of the company and the desire of the Directors to add at this time to the public purchasing power in support of the Recovery program.

The merchandise inventory, in the opinion of the management, is properly balanced and the amount of investment in merchandise is in keeping with the going rate of the company's business in early 1934, as indicated by a sales gain of 43% in January. The increase over the closing inventory of the previous year appears amply justified by current increased volume and by the lessened importance of the factors which in recent years have encouraged progressively lower inventories.

The total number of stores operated by the company at the close of 1933 was 1466 against 1473 operated at the close of 1932. Efforts have been directed to the elimination of unprofitable store operations, and new leases, taken in localities with greater potentialities and mostly on a percentage basis, have served as replacements. Immediate plans provide for a selective rather than an extensive expansion program and for a continued effort toward a consolidation of position.

Respectfully submitted,

E. C. SAMS, President.

BALANCE S
AS AT DECEMBEASSETS

Cash in Banks and on Hand		\$ 8,899,646.39*
Merchandise — at cost or market, whichever is lower		<u>45,233,522.13</u>
		54,133,168.52
Miscellaneous Accounts Receivable, Advances, Etc. (including \$75,334.71 estimated realizable value of balances in closed or restricted banks)		473,862.18
Investments in and Advances to Subsidiary Companies (including undistributed sur— plus) — at book values shown by Sub- sidiaries:		
Advances	\$ 2,535,000.00	
Capital Stock and Surplus	<u>1,059,984.71</u>	3,594,984.71
Fixed Assets — at net sound values based on estimated replacement cost at December 31, 1932, plus subsequent additions at cost:		
Land and Buildings	2,243,501.23	
Less Depreciation	<u>176,619.69</u>	
	2,066,881.54	
Furniture and Fixtures, less Depreciation	5,730,171.03	
Improvements to Leaseholds, less Amortization	<u>2,019,250.72</u>	9,816,303.29
Deferred Charges — Unexpired Insurance Premiums, Rent Advances, Etc.		382,338.49
Treasury — 40,000 shares of Common Stock held for resale to employees — at December 31, 1932 Market Value		<u>985,000.00</u>
		<u>\$69,385,657.19</u>

NOTES:

*After deducting employees' contract compensation due at December 31, 1933 but paid subse
Since December 31, 1933 an extra dividend of \$1.00 per share was declared and paid to cor

Y COMPANY

E CORPORATION

DE SHEET

EMBER 31, 1933.

LIABILITIES

Accounts Payable, not yet due	\$ 5,460,102.94
Reserve for Federal Taxes	<u>2,612,233.39</u>
	8,072,336.33
Mortgage Payable	72,500.00
Reserve for Fire Losses, Etc. and Employees' Death Benefits	1,663,119.34

Capital Stock:

Preferred 6% Cumulative, \$100.00 par value:

Authorized, 300,000 shares.

Issued, 103,263 shares

\$10,326,300.00

Common, no par:

Authorized, 3,000,000 shares.

Issued, 2,468,984 shares

23,622,766.67

33,949,066.67

Surplus (Earned):

J. C. Penney Company

24,618,650.14

Undistributed Surplus of Subsidiaries

1,009,984.71

25,628,634.85

Contingent Liabilities — None Reported.

\$69,385,657.19

d subsequently thereto.

d to common stockholders of record January 20, 1934.

J. C. PENNEY COMPANY

Profit and Loss Account

For the Year Ended December 31, 1933.

(Including Profits of Subsidiaries)

Sales		\$178,773,965.06
Cost of Merchandise Sold, and Selling and General Expenses	\$162,012,935.64	
Depreciation and Amortization (based on December 31, 1932 reduced book value or cost if acquired subsequently)	900,249.81	162,913,185.45
		<u>15,860,779.61</u>
Discount on Purchases and Miscellaneous Income (Net)		872,684.50
Net Profit before Federal Taxes		<u>16,733,464.11</u>
Reserved for Federal Taxes		2,635,647.26
		<u>14,097,816.85</u>
Add 1933 Profits of Subsidiaries		137,821.25
Transferred to Surplus		<u>\$ 14,235,638.10*</u>
<i>Note:</i>		
*Net Income, as above	\$ 14,235,638.10	
Deduct Preferred Stock Dividends Paid	619,578.00	
Net Income Applicable to Common Stock.	<u>\$13,616,060.10</u>	
Common Stock issued at end of year	Shares	<u>2,468,984</u>
Earnings per share, after Pre- ferred Stock Dividends, on Common Stock (includes Earn- ings of Subsidiaries)	\$	<u>5.51</u>

EARNED SURPLUS ACCOUNT

Surplus at December 31, 1932		\$ 15,206,521.08
Add Reserve for Contingencies		300,000.00
		<u>15,506,521.08</u>
<i>Less:</i>		
Former year's State and Local Taxes charged to Surplus to bring tax ac- counts on Current Accrual Basis	\$ 282,247.18	
Excess of cost over par value of 95,952 shares of Preferred Stock retired during 1933	235,911.67	
Sundry Deductions	61,006.68	579,165.53
		<u>14,927,355.55</u>
Add Net Income for 1933		14,235,638.10
		<u>29,162,993.65</u>
<i>Less Cash Dividends:</i>		
Preferred Stock	619,578.00	
Common Stock	2,914,780.80	3,534,358.80
	<u></u>	<u></u>
Surplus at December 31, 1933		<u>\$ 25,628,634.85</u>

To the Directors of the
J. C. Penney Company,
New York, N. Y.

We have made an examination of the Balance Sheet of the J. C. Penney Company as at December 31, 1933, and of the Profit and Loss and Surplus Accounts for the year 1933. In connection therewith, we examined or tested accounting records of the Company and other supporting evidence and obtained information and explanations from officers and employees of the Company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying Balance Sheet and related Profit and Loss and Surplus Accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the Company during the year under review, its position at December 31, 1933, and the results of its operations for the year.

PEAT, MARWICK, MITCHELL & CO.

New York, N. Y.,
February 28, 1934.

OFFICERS

J. C. PENNEY

Chairman of the Board

E. C. SAMS	<i>President</i>
LEW V. DAY	<i>Vice-President</i>
W. A. REYNOLDS	<i>2nd Vice-President</i>
J. I. H. HERBERT	<i>3rd Vice-President and Treasurer</i>
A. J. RASKOPF	<i>Secretary</i>
R. W. TROWN	<i>Comptroller</i>

DIRECTORS

J. C. PENNEY, *Chairman*

E. C. SAMS	A. W. HUGHES
GEO. H. BUSHNELL	G. H. CROCKER
J. I. H. HERBERT	W. A. REYNOLDS
L. W. HYER	EARL A. ROSS
LEW V. DAY	C. E. DIMMITT